



California Public Employees' Retirement System

Board of Administration

STATEMENT OF GOVERNANCE PRINCIPLES

April, 2007

III. Individual Board Member Responsibilities

- A. All those who appear before the CalPERS Board and its committees have the right to be treated with respect, courtesy, and openness. Each Board member should commit to conduct him/herself at all times with civility and courtesy, to both those with whom the Board interacts and to his/her colleagues. Individual Board members should also endeavor to correct fellow Board members, should any of their conduct fall below this standard.
- B. Each Board member or authorized deputy should attend every meeting of the Board, and every meeting of a committee of which s/he is a member. Periodic absences for illness or other non-avoidable personal and professional reasons are expected, however it is also expected that every Board member will achieve at least a 75% attendance standard. Any Board member who is not a member of a committee is nonetheless encouraged, time permitting, to attend the committee meetings. This attendance not only provides a more robust input of perspectives at the committee decision-making level, but also provides for more enlightened and often more efficient decision-making at the Board level.
- C. Board members have no obligation to meet with or communicate with advisors, managers, consultants, contractors or vendors. Any contacts and communications between individual Board members and advisors, managers, consultants, contractors and vendors to CalPERS shall be at the option, discretion, and judgment of each Board member. Individual Board members shall avoid favoritism, conflicts and disclosure of

privileged information and at all times individual Board members shall act in the best interest of CalPERS consistent with his/her fiduciary duty.

- D. Individual Board members shall not seek the legal advice or counsel of CalPERS' outside counsel, without first verifying with CalPERS' General Counsel that the expenditure of legal fees is appropriately related to service on the Board. The General Counsel shall ensure that all Board members receive the benefit of any legal advice or counsel provided to any individual Board member.
- E. Individual Board members are not to become involved in operational management, except as requested by the Chief Executive Officer.
- F. Individual Board members shall refer proposals or other communications regarding potential or existing investments or other contracts directly to the Chief Executive Officer.
- G. Whenever CalPERS is in the process of selecting or employing advisors, managers, consultants, contractors or vendors, individual Board members shall limit their communications with any person or entity (or agent for such person or entity) that may be under consideration in such selection or hiring process, in a manner that is consistent with the Board's procurement policies. Any Board member who becomes aware of a contact by a person or entity (or agent for such person or entity) that the Board member reasonably believes violates the procurement policies shall report the contact to the Board's President. The Board President shall inform the Chief Executive Officer of the contact, who is responsible for responding in accordance with the Board's procurement policies.
- H. Individual Board members shall ensure their activities conform to the Board's policies regarding governance, prudence, ethics, conflicts of interest, incompatible activities, insider trading, and travel.
- I. Before initiating or supporting litigation that is adverse to the Board, a Board member who believes that the Board has acted in violation of its fiduciary responsibilities or applicable law should first strive to avoid the need for litigation. This includes the responsibility to proactively discuss the Board member's concerns with his/her fellow Board members and, where applicable, the Chief Executive Officer. This also includes encouraging parties outside of CalPERS who share the Board member's concerns and who are also considering litigation to take the opportunity to potentially avoid litigation by discussing their concerns directly with the Board and individual Board members.
- J. Board Member – Staff Interaction
 - 1. Individual Board members should direct requests for documents to the appropriate Committee Chair. Each Chair has the authority to

designate one or more staff to handle these requests on behalf of the Chair and to use other processes to handle such requests. Staff shall inform all Board members of any documents provided pursuant to such a request.

2. Individual Board member requests for outside consultants to perform additional work shall be directed to the appropriate Committee Chair or to the Board President.
3. Individual Board members should direct questions regarding specific agenda items to the highest-ranking executive who signed the item or, if appropriate, to the outside consultant who signed the consultant report accompanying the item.
4. Individual Board members shall not participate in routine staff meetings or other staff activities unless specifically requested by a member of the Executive Staff. Such invitation shall be transmitted through the Chief Executive Officer and the Board President.
5. Inquiries or correspondence addressed to a Board member, which the Board member wishes to direct to staff for a response or assistance in the preparation of a response, should be forwarded to the Board Services Unit. The Board Services Unit, in conjunction with the Board President's Office, will assign the correspondence or inquiry to the appropriate staff and maintain a tracking system to ensure timely response.
6. If a Board member corresponds using the CalPERS logo or on CalPERS letterhead, a file copy must be forwarded to the Board Services Unit.
7. If a Board member is assigned a speaking engagement on behalf of CalPERS, any request for staff assistance in preparing the speech should be directed to the Board President or Vice President.
8. If a Board member accepts a speaking engagement outside of a direct assignment (i.e. not assigned by the Board President or Vice President), and needs assistance with the preparation of a speech, the request should be directed to the Board President or Vice President.
9. Nothing in this policy shall authorize individual Board members to engage in communications that violate the Bagley-Keene Open Meeting Act.